

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 2, 2002**

**IN RE:**

**CHATTANOOGA GAS COMPANY WEATHER  
NORMALIZATION ADJUSTMENT AUDIT**

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)  
) **DOCKET NO.**  
) **02-00797**  
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**ORDER ADOPTING WNA AUDIT REPORT OF THE ENERGY AND WATER  
DIVISION OF THE TENNESSEE REGULATORY AUTHORITY**

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This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 21, 2002, for the consideration of the audit findings of the Authority's Energy and Water Division (the "Staff") after review of Chattanooga Gas Company's ("Chattanooga" or the "Company") Weather Normalization Adjustment ("WNA") for the period November 1, 2001 through April 30, 2002. The WNA Audit Report (the "Report"), attached hereto as Exhibit A and incorporated in this Order by this reference, reports four (4) findings for the audit period under review. The Report also states that the audit found a net under-recovery of \$4,046.00. The Report was filed on October 2, 2002.

The first finding is that the Company used inaccurate actual heating degree-days in the calculation of the WNA factor. The Report states that the Staff's audit indicates that on five (5) days out of 212 days of weather observations in the WNA period, the Company used inaccurate actual heating degree-days. The Company's response to this finding is that on four (4) of the

days in question the variance was only one (1) degree-day, which the Company attributes to rounding. The Company further stated that the information upon which the Company based its WNA calculation was subsequently revised by the National Oceanic and Atmospheric Administration ("NOAA"), which publishes the degree-day information used in the WNA calculation. The Company entered the number of days stated in NOAA's initial report into its billing system but did not correct this entry when NOAA issued a revised report. The Company stated that these were the first occurrences of initial information being subsequently revised by NOAA.

The second finding is that the actual heating degree-days the Company calculated for bill group 11 in November 2001 and bill groups 13-21 in January 2002 do not agree with the actual heating degree-days filed by the Company on its end of month report. The Company's response was that this difference appeared to be the result of rounding.

The third finding is that the normal heating degree-days calculated for bill groups 14-21 in January 2002 did not agree with Staff's calculation using the normal heating degree-days established in Chattanooga's last rate case. The Company's response was that a review of the normal degree-days used by the Company's customer information system indicates that a variance of one (1) degree-day occurred on January 15, 16, and 19, 2002. The Company further stated that incorrect data for these three (3) days was loaded in its information system in the summer of 2001.

The fourth finding is that for bill groups 3 and 4 in April, 2002, the Company used inaccurate actual heating degree-days in the calculation of the WNA factor. The Report states that the Company made no response to this finding. The Company subsequently responded to this finding by letter dated October 7, 2002, in which the Company stated that a degree-day entry for March 28, 2002 was not made immediately after this day because of the Good Friday

holiday. The Company further explained that this error was not discovered until after the two groups had been billed. The Company states that it opted not to send these customers another bill because the difference between the incorrect bill and the corrected bill would not be substantially material to the affected customers.

According to the Report, the Staff accepts the Company's explanation that the one (1) degree-day differences identified in the audit findings are probably the result of rounding. The Report points out, however, that the Company did not address the larger differences found for November 2001 and April 2002. The Staff recommends that the Company take a closer look at the coordination between its gas operations department and its rate department and if possible eliminate the manual entering of data twice.

The Report further states that the net under-recovery of gas costs found in the audit is immaterial and the Staff concurs with the Company's proposal to debit the deferred gas cost account ("ACA") for the amount of the under-recovery. As stated in the Report, the Staff concludes that Chattanooga is correctly implementing the mechanics of the WNA Rider as specified by the Authority and included in the Company's tariff.

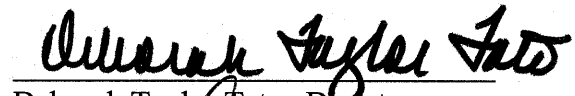
After consideration of the WNA Audit Report, the voting panel unanimously approved the findings and conclusion contained therein.


**IT IS THEREFORE ORDERED THAT:**

1. The WNA Audit Report, a copy of which is attached to this order as Exhibit A, is approved and adopted, including the findings and conclusions contained therein, and is incorporated in this Order as if fully rewritten herein; and

2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.

  
Sara Kyle, Chairman

  
Deborah Taylor Tate., Director

  
Pat Miller, Director